



STATE OF WASHINGTON STATE-CHARTERED CREDIT UNIONS FINANCIAL TRENDS

Financial Data as of December 31, 2004

HIGHLIGHTS

This report summarizes the trends of all state chartered credit unions in Washington, reported as of December 31, 2004. Unless otherwise noted, the change period for the financial ratios and/or financial statistics is from December 31, 2003 to December 31, 2004.

The total number of Washington state chartered credit unions declined from 86 to 79. The statistics below compare 79 credit unions as of December 31, 2003 to 79 credit unions as of December 31, 2004.

Key financial indicators are listed below:

- **Assets** increased \$660 million or 4.06%. Assets are \$16.90 billion.
- **Cash and Investments** (including cash & cash equivalents) decreased \$575.32 million or 14.34%. Cash and investments are \$3.44 billion.
- **Loans** increased \$1.26 billion or 11.89%. Loans are \$11.86 billion.
- **Delinquent loan** dollars decreased \$5.32 million or 9.50%. Delinquent loans as a percentage of total loans decreased from 0.54% to 0.43%.
- **Net charge offs** increased \$4.63 million or 6.95%. The net charge off to average loan ratio decreased from 0.65% to 0.56%.
- **Shares** increased \$598 million or 4.26%. Because loans grew more than shares, the loan to share ratio increased from 72.78% to 81.09%.
- **Net worth** increased \$126.30 million or 8.09%. Net worth is \$1.69 billion. The net worth to assets ratio increased from 9.71% to 9.98%.
- **Profitability** – Net income increased from \$147.52 to \$170.75 million or 15.74%. ROAA increased from 0.96% for the twelve months ending December 31, 2003 to 1.05% for the twelve months ending December 31, 2004.
- **Operating Expenses** increased from 56.35% of gross income to 58.14% of gross income and decreased from 3.68% of average assets to 3.58% of average assets.
- **Gross Income and Cost of Funds** – Gross income decreased from 6.60% of average assets to 6.16% of average assets, and cost of funds to average assets decreased from 1.51% to 1.16%. Consequently, the average net margin decreased from 5.09% to 5.00%.

Asset Trends: Total assets increased \$660 million or 4.06%. Assets are \$16.90 billion.

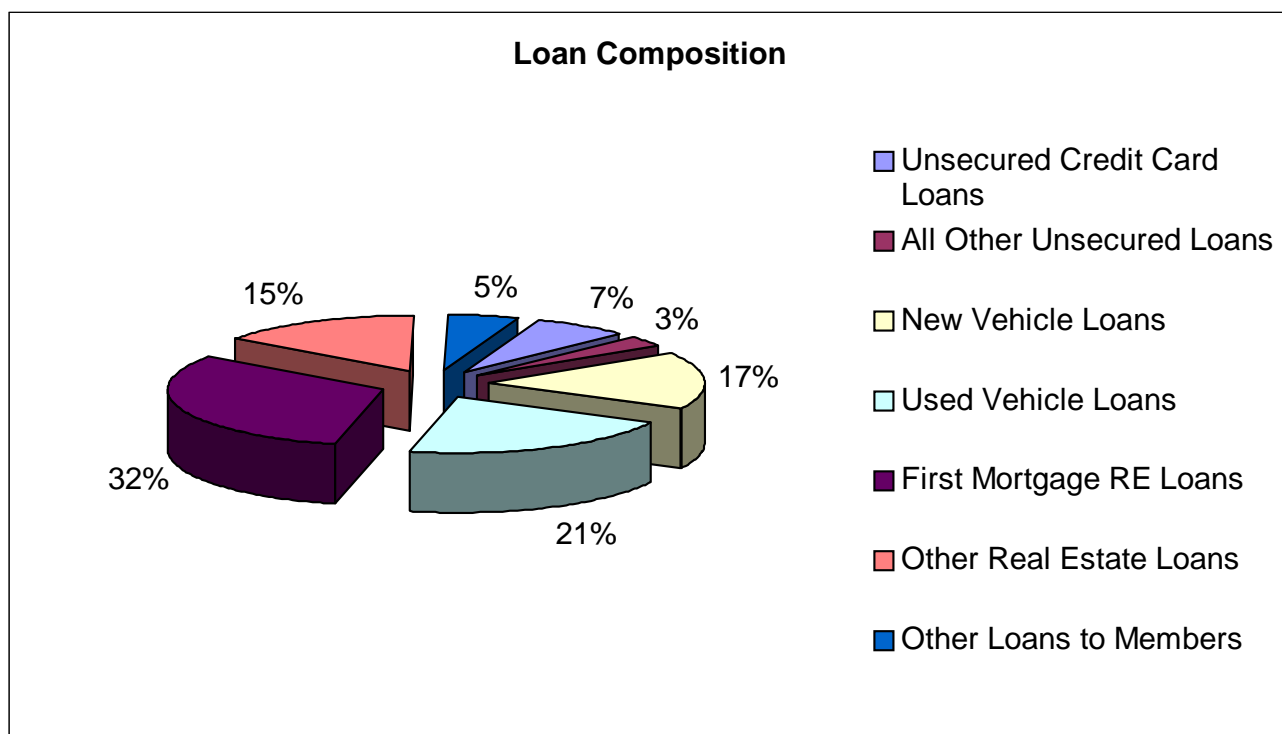
- Loans increased \$1.65 billion or 16.17%. Loans are 70.17% of total assets.
- Cash and Investments (including cash & cash equivalents) decreased \$575.32 million or 14.34%. Cash and investments are \$3.44 billion.
- Fixed assets increased \$25.41 million or 7.21%. Fixed assets are 2.24% of total assets.
- Other assets decreased \$16.30 million or 5.53%. Other assets are 1.84% of total assets.
- The Allowance for Loan & Lease Losses (ALLL) increased \$5.06 million or 6.22%. The aggregate ALLL balance equals 0.51% of total assets, 170.75% of delinquent loans and 139.49% of net charge-offs.
- As of December 31, 2004 cash plus cash equivalents plus short-term investments less than one year divided by total assets was 12.09%.

Annual Asset Growth

<u>CU Asset Size</u>	<u>12/31/2002</u>	<u>12/31/2003</u>	<u>12/31/2004</u>
Over \$500 million	11.12%	8.34%	8.20%
\$100m to \$500 million	11.33%	9.63%	6.39%
\$20m to \$100 million	4.60%	6.31%	2.46%
\$0m to \$20 million	2.76%	3.98%	2.46%

Loan Trends: Total increased \$1.26 billion or 11.89%. Loans are \$11.86 billion. Because total loans increased more than total assets, the total loans to total assets ratio increased from 64.99% to 70.17%.

- Unsecured credit cards increased \$35.81 million or 4.29%.
- All other unsecured loans decreased \$2.54 million or 0.71%.
- New vehicle loans increased \$556.53 million or 39.52%.
- Used vehicle loans increased \$79.31 million or 3.28%.
- First mortgage real estate loans increased \$296.50 million or 8.59%.
- Other real estate loans increased \$344 million or 23.37%.
- Other loans decreased \$3.81 million or 0.62%.
- Fixed rate first mortgages increased \$1.13 billion or 48.30%. Fixed rate first mortgage loans comprise 67.83% of all first mortgage real estate loans.
- Loans held for sale decreased from \$29.33 million to \$49.50 million.



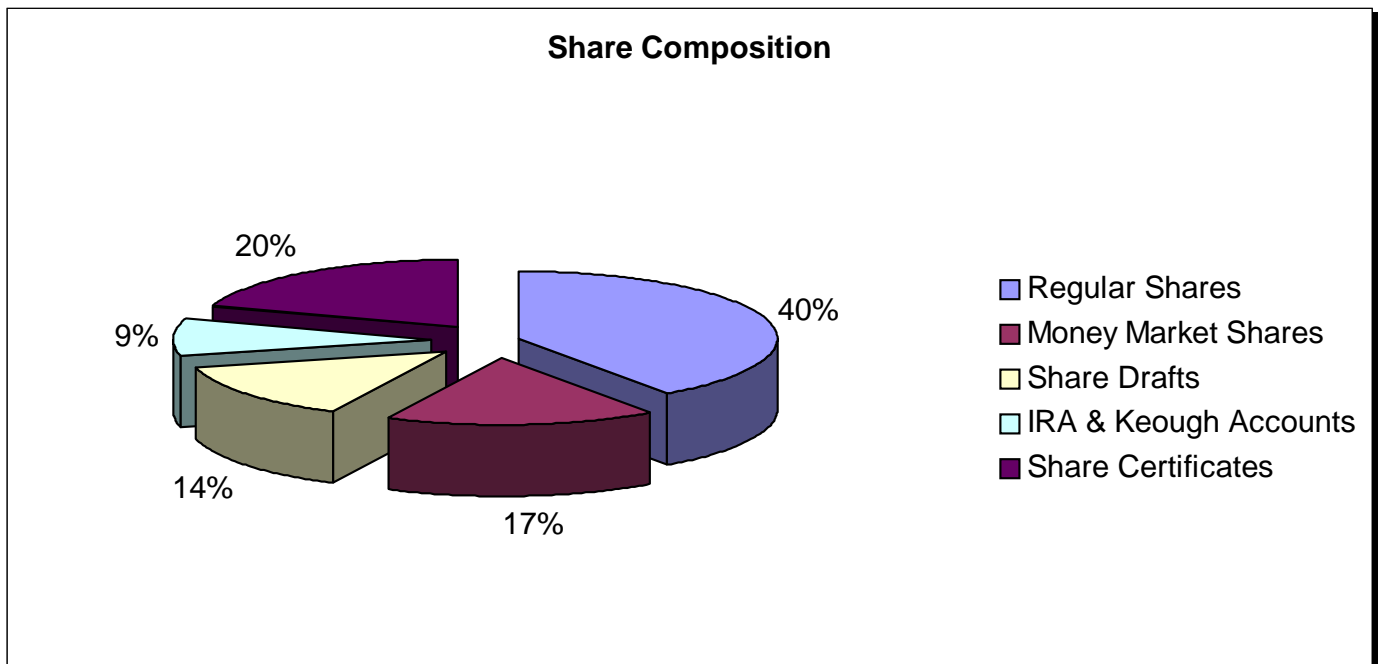
Delinquent Loan Trends: Total delinquent loan dollars decreased \$5.32 million to \$50.62 million. Because delinquent loans decreased while total loans increased, the delinquent loans to total loans ratio decreased from 0.54% to 0.43%.

Net Charge-Off Trends: Total net charge-offs decreased \$4.63 million to \$61.97 million. Because net charge-offs decreased and total loans increased, the net charge-off to average loan ratio decreased from 0.65% to 0.56%.

Bankruptcy Trends: Total bankruptcy loans decreased \$4.86 million to \$61.26 million. This is a 7.36% decrease. Bankruptcy loans as a percent of delinquent loans increased from 116.81% to 121.02%.

Share Trends: Shares increased \$598 million or 4.26% and total \$14.62 billion. Because loans grew at a faster pace than shares, the loan to share ratio increased to 81.09%.

- Regular shares and deposits decreased \$246 million or 4.02%.
- Money market shares increased \$407.53 million or 19.69%.
- Share drafts increased \$188.24 million or 10.27%.
- IRA & Keogh accounts decreased \$8.42 million or 0.64%.
- Share certificates increased \$155.12 million or 5.59%.
- All other shares (including non-member deposits) decreased \$3.31 million or 12.99%.
- The cost of funds to average assets ratio decreased from 1.51% to 1.16%.



Net Worth Trends: Net worth increased \$126.30 million or 8.09%, and the net worth to assets ratio increased from 9.71% to 9.98%.

Net Worth/Total Assets Ratios (as of 12/31/2003 and 12/31/2004)

<u>CU Asset Size</u>	<u>12/31/2003</u>	<u>12/31/2004</u>
Over \$500 million	9.00%	9.44%
\$100m to \$500 million	10.32%	10.67%
\$20m to \$100 million	11.30%	11.52%
\$0m to \$20 million	10.93%	11.50%

Profitability Trends: The return on average assets (ROAA) increased from 0.96% to 1.05%.

ROAA Trends

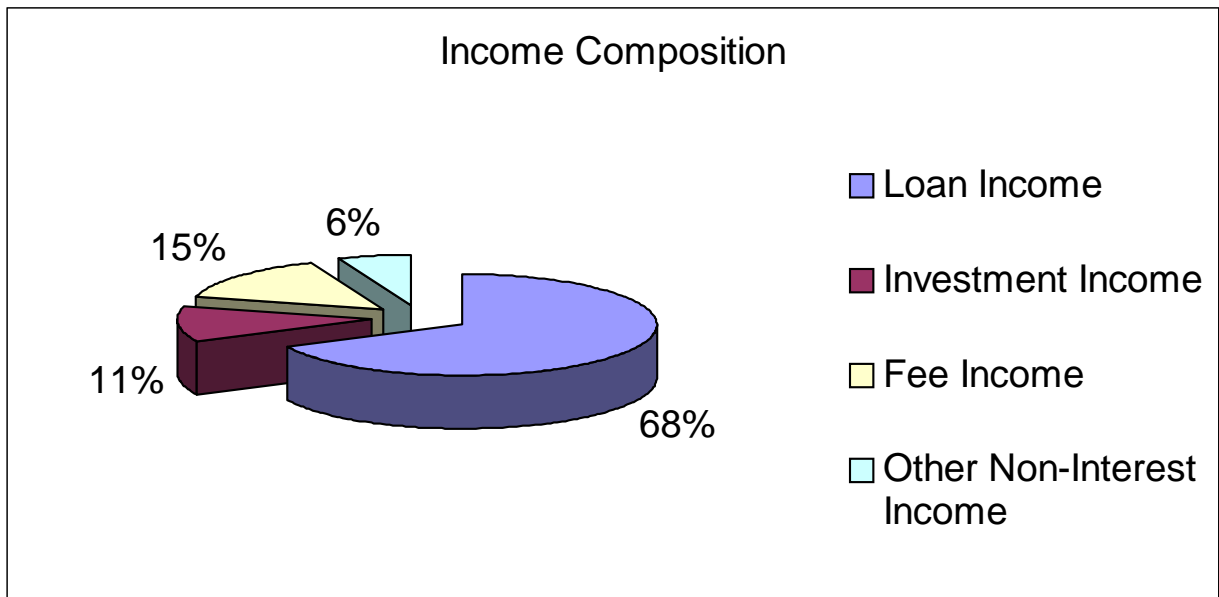
<u>CU Asset Size</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Over \$500 mil	0.52%	0.52%	1.15%	0.94%	1.12%
\$100m to \$500m	0.78%	0.78%	1.17%	1.08%	0.99%
\$20m to \$100m	0.86%	0.86%	0.84%	0.65%	0.73%
\$0m to \$20m	0.92%	0.92%	0.81%	0.43%	0.57%

Income Statement Comparison

Ratio	As of 12/31/2003	As of 12/31/2004	Effect on ROAA
Gross Income	6.60%	6.16%	-44bp
Cost of Funds	1.51%	1.16%	-35bp
Operating Expenses	3.68%	3.58%	-10bp
Provision for Loan Loss	0.45%	0.44%	-1bp
Non-operating income	0.00%	0.06%	+6bp
ROAA	0.96%	1.05%	+9bp

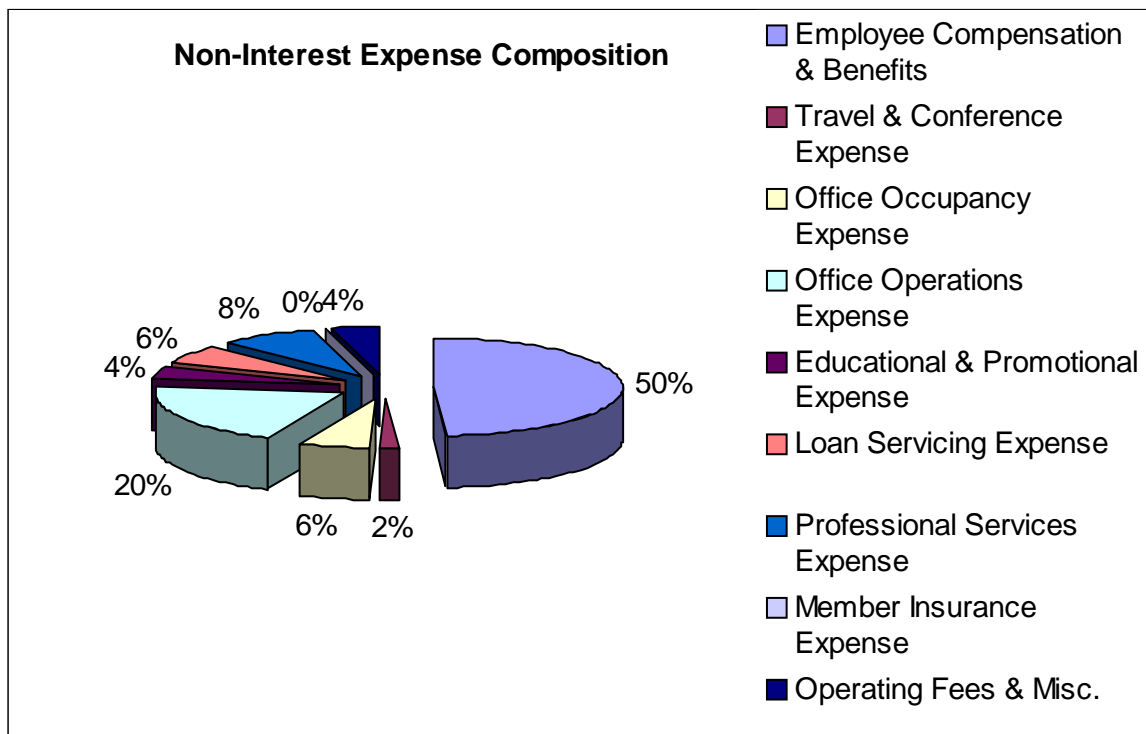
Income Trends: Gross income decreased \$4.10 million to \$1.01 billion. This is a decrease of 0.41%. Because average assets increased and gross income decreased, the gross income to average assets ratio decreased from 6.60% to 6.16%.

- Loan and investment income decreased \$8.88 million or 1.10%.
- Fee income increased \$30.24 million or 25.80%.
- Other non-interest income decreased \$25.46 million or 29.39%.



Expense Trends: Operating expenses increased \$15.79 million to \$584.75 million or 2.78%. Because operating expenses increased and gross income decreased, the operating expense to gross income ratio increased from 56.35% to 58.14%.

- Employee compensation increased \$14.22 million or 5.23%.
- Travel and conference expense decreased \$0.51 million or 5.27%.
- Office occupancy expense increased \$2.23 million or 6.70%.
- Office operations expense decreased \$3.49 million or 2.85%.
- Educational and promotional expense increased \$2.21 million or 10.57%
- Loan servicing expense increased \$0.39 million or 1.05%.
- Professional services expense increased \$6.75 million or 16.01%.
- Member insurance expense decreased \$0.08 million or 14%.
- Operating fees and miscellaneous expense decreased \$5.93 million or 19.08%.



➤ This report was prepared by Glenn Ross using 5300 Call Report data.